

**Oneida County Highway Department
Rhinelanders Facilities Report and Re-location Considerations**

Presented to the Oneida County Board of Supervisors

On

August 21st 2014

Background information to help formulate a decision to respond to an “Offer to Purchase” of the Highway Property by Northwest Investments. LaCrosse WI to locate a Kwik Trip Store.

Prepared by: Freeman Bennett, Highway Commissioner; Michael Romportl, Land Information Director; Margie Sorenson, Finance Director; Brian Desmond, Corporation Counsel; Lu Ann Brunette, Buildings & Grounds Facilities Director; Lisa Charbarneau, Human Resources Director

Reviewed at a joint meeting on August 14th, 2014 by:

Oneida County Land Records & Oneida County Public Works/Solid Waste Committees

Motion by Jensen/second Timmons that the Public Works/Solid Waste Committee recommends to the Oneida County Board to consider the offer by Kwik Trip to purchase the Oneida County Rhinelanders Highway Shop due to the offer’s potential merits for Oneida County and the City of Rhinelanders. All Ayes.

Motion by Van Raaltle/second Zunker that because the Kwik Trip offer for the Oneida County Rhinelanders Highway Department property has sufficient merit for consideration, moves that the Land Records Committee advances the offer to the full County Board. All Ayes.



ONEIDA COUNTY HIGHWAY DEPARTMENT 2014



INDRODUCTION

Oneida County was presented with an 'Offer to Purchase' via Pete Tenderholt, real estate agent for Coldwell Banker Mulleady, Rhinelander. The 'Offer' names Northwest Investments of La Crosse LLC as the potential purchaser of the Highway Department property located at 730 W Kemp St, Rhinelander. The site is approximately 14 acres and the intended use of the property is to construct a Kwik Trip Store and possibly some other businesses on the property. The Company views the Highway Department property as a very desirable location for another store in the Rhinelander area. The deadline to respond to the Offer is August 25th, 2014.

Mr. Tenderholt met with the County Board Chair, Public Works Chair and various staff members to gather information and share details concerning a potential sale and relocation of the Highway Department. In addition, a conference call was held with Hans Zietlow, a representative of Kwik Trip where he expressed interest in the site.

Highway Commissioner Freeman Bennett reviewed the departments short/long term plans and capital improvement needs to determine what would meet the department's need if the Highway Department were to relocate, and the costs to upgrade the current facility.

Oneida County owns a 35 acre parcel located just north of the Pizza Haven off Lake Julia RD in the Town of Pelican that was once used for a law enforcement shooting range and county communication tower site, neither which is in use any longer. The site is located about 1 mile east of the current highway shop. This site would be suitable for the location of the Highway Department and would provide for an opportunity to consolidate operations by closing the Monico Highway Shop and also locating the Solid Waste administrative functions in a new facility. Other opportunities may also present themselves upon a more detailed evaluation if the County Board elects to pursue a relocation plan. A conceptual site and building plan was reviewed with this site in mind.

OFFER

The County Board Chair, Public Works Committee and Land Records Committee feel the offer needs a thorough review and serious consideration. It is rare when a proposal of this nature presents itself and it should not be simply dismissed.

The question of 'Is this a fair offer' needs to be answered. An appraisal of the property could be ordered, however, the County Board needs to review what it may cost to build on the proposed site. Then the difference between the offered price, cost to build new and cost to update should be discussed in order to take it to the next level.

The Staff did some preliminary research on the various elements of the offer and items need to be considered for a possible relocation as listed below:

- 1) Purchase price of other Kwik Trip locations
- 2) Issues of current Highway Department buildings
- 3) Approximate cost of updates needed on current Highway Dept facility
- 4) Issues surrounding new Highway Department buildings
- 5) Cost range of building new
- 6) Cost of borrowing money and tax levy

PURCHASES

Purchases for Kwik Trip Store Locations -(Source DOR)					
Date	Location	Address	Acreage	Purchase	Price/acre
1/4/2013	Wausau	Stewart Ave	11.0	\$1,000,000	\$90,909
3/26/2013	Wausau	Kent St	1.7	\$385,000	\$226,471
8/20/2013	Wausau	Rib Mtn Dr	4.6	\$2,009,674	\$436,886
1/1/2013	Stevens Point	Old HWY 18	2.6	\$615,000	\$236,538
1/18/2013	Rhineland	Eisenhower Pkwy	6.8	\$1,100,000	\$161,764

The current Highway Department site would require demolition of all buildings and additional site work would need to be completed by the developer before the start of construction. These are costs that often influence the purchase price that is being offered.

Issues at Current Highway Department Facility

Current Highway Department Buildings, Rhineland Shop				
Building	Square Feet	Year Built	Type	Use
Main Shop	37,288 sq. feet	1955	Block	Truck parking, repairs etc
Quonset	4,200 sq. feet	1948	Wood and steel	Sign and sign truck
Pole Building	11,200 sq. feet	1980	metal	Cold Storage/Parking
Old Salt Shed	1,800 sq. feet	1958	Concrete/wood	Blades and truck equip.
Remodeled Storage Shed	1,800 sq. feet	2000	Concrete/wood	Blades and truck equip.
Timber Salt Shed	2,250 sq. feet	1965	Timber	tar/equip.
Fuel Storage Shed	960 sq. feet	1992	Steel	20,000 gallon gas/diesel
State Salt Shed	3,000 sq. feet	1987	City salt	Timber
State Salt Shed Dome	375 radius 10,000ton cap.	1996	Concrete/Wood	County and state salt
Office addition	1,428 sq. feet	2001	Wood	Office

- 1. Building for trucks.** Current buildings are too small and plans for an addition are being considered in addition to repairing areas where the building has been damaged due to tight quarters. As employee numbers were reduced and the demand for snow removal remains a high priority, the county is purchasing larger trucks with more capacity for salt and sand. These trucks are about twice the size of the trucks in the past and space is becoming more of an issue.
- 2. Main Shop/Office Building.** The main shop was built in 1955 and is quite dated in regards to meeting current codes and lacks many of the features needed to operate safely and efficiently in today's work environment.

Welding Area. Currently there is not a protected welding area in the shop and building a space may involve structural changes and revealing other issues that may be required if remodeling would be done. A temporary screening is currently be used.

Wash bay. There is a safety concern for washing trucks since there is no room or the ability to build a scaffolding system or catwalk to get to the tops of the trucks.

Currently a ladder is used in a very tight space. New buildings now have wash bays designed for large trucks built into the design.

Space. Due to limited space, trucks and other equipment have to be continually moved around to work on the equipment which is very inefficient in both staff time and heat loss opening and closing of huge doors during the move.

Lighting. The lighting in the shop area needs to be upgraded to provide for a safer work environment.

Drainage for storm sewer. Currently, in heavy rains, water comes up through the floor drain and floods the main shop. A new storm drainage system is needed at the current facility.

Office area. Current ADA meeting space is limited to 20 people at best. At times larger meeting room space is needed. If more area were available, the office functions of the Solid Waste would be moved to the Highway Department.

Restroom/locker. There is only one locker/restroom area in the shop designated for male occupancy only.

Fire suppression. There is no fire sprinkler system in any of the buildings causing risk to both employees and expensive equipment.

3. **Utilities.** The average yearly heating and electric cost is \$37,077. The current main shop and heated back shop only have insulation in the ceiling and nothing in the walls. There are plans to insulate the buildings and remove the glass block windows.
4. **Fuel System.** At the present time the County is not in compliance with State/Federal codes. Upgrades are being planned but no increase in capacity. The Highway department sells fuel to two townships, Sheriff's Department, City of Rhinelander, Emergency Management, and Department on Aging, Forestry, and Solid Waste. Currently the capacity is 10,000 gallons of gas and 10,000 gallons of diesel fuel. There is a potential to get a price break if the county had a larger capacity of 15,000 gallons each.
5. **Salt shed storage.** The current salt storage shed is in need of a new roof. The County and DOT currently share the building making it difficult to get enough salt in the shed for a complete year. The DOT has requested a better accounting for the states portion of the salt being used which is extremely difficult to calculate the volumes since the building is a domed structure. The State is considering building their own shed on the county site and the county would continue to use the old building. It may be possible to design one building to accommodate both the state and county's need with a center partition, but the country would have to fund its own portion.
6. **Salt brine.** The current system is located outside in an unprotected area causing the solution to freeze in extremely cold conditions and the area has no containment structure.

7. **Ground level scale.** The truck scale is currently not in compliance because guard rails are required to be at mid-axel height and now they are only about one foot high. No plans have been made yet to remedy the matter.
8. **Security.** Due to theft and damage to equipment, a camera security system and fencing is needed. There have been preliminary plans to install the fencing.
9. **Resurfacing.** The current drive and area around the buildings needs to be repaired/resurfaced.
10. **Noise.** Noise is an issue for the area hotels. The County is required to have back-up alarms on all our equipment and alarms on our fuel system. Many nights the staff is out at midnight or 2:00 a.m. and the alarms are going off on 17 trucks and the loader. When there is a power loss the alarm goes off on the fuel system and area residents and hotel guests are awakened.
11. **Grease and oil separator.** The current system does not have a separator and empties directly into the sanitary sewer system and does not meet 2014 standards.
12. **Generator.** Back up power generator is in very poor condition and will have to be replaced in the future. The department has been advised that with the new phone system, if there is a power outage it would result in no outside communication.
13. **Environmental issues.** The close proximity to the Wisconsin River is always a concern if there was a fuel spill. Whether the county stays or moves there may be a need for some environmental assessment and remediation.

Approximate cost of updates needed to current facility

Some preliminary cost estimates were obtained to address some of the items above but not yet formally designed or bid. As with any remodeling or retrofitting, there are many unknowns that cannot be predicted in advance that could significantly affect the costs, particularly on an old structure. An architect and or engineer would need to determine accurate cost estimates. A very rough estimate would be \$2m – \$4m. In the past several years the Highway Department has saved approximately \$350,000 to start addressing some of the issues last year. However, when the County heard there may be interest from Kwik Trip, the Department held off from spending the money. It remains a concern of the Department of being able to address these issues within the regular budget process given the ongoing levy limits and other factors.

Issues for Consideration if a New Highway Facility is Built

1. **Opportunity.** Will an opportunity to sell the property come again in the foreseeable future by a large corporation that would be able to make a generous offer?
2. **Financing.** Money would have to be borrowed to build a facility to meet all the needs of the department. Interest rates continue to be low and the auditors recently reported to the Administration Committee that it has a healthy general fund.

3. **Offset Funding.** If a new facility is built, all of the upgrade and maintenance costs needed to be spent on the current facility could be directed to a new facility, thus offsetting the overall potential impact of building new.
4. **Monico Site.** With a larger facility on Highway "8", the County would be able to close down the Monico shop and move all the operations to the new facility. This would save on heat and electricity; eliminate a loader, fuel system, salt storage building and sand deliveries. In addition, there would be less safety concerns of employees working alone, and the 28 acre parcel could be sold.
5. **Energy.** A new facility would be much more energy efficient.
6. **Reduced maintenance.** Many years of little or no expenses to maintain old buildings.
7. **Increased tax base.** Currently, the highway facility occupies a valuable piece of property that is tax exempt. Building by a private corporation would increase the tax base and add jobs to the area economy. Moving to the Pizza Haven site would have a neutral effect as the land is already tax exempt. Estimated taxes on a \$5m property in Rhineland are approximately \$108,000/yr.
8. **New office for Solid Waste.** If a new facility is built, the office addition to the current building may be able to be moved to the Solid Waste facility and used there. The current trailer at Solid Waste being used for an office now needs a new roof and floor and the scale area needs repair.
9. **Noise:** Noise would be less of a concern for area residents and hotel guests.
10. **Future:** A new quality facility built now would last for many, many years.
11. **Consolidated buildings.** Would create for more efficient operations.
12. **Rail.** Moving to another location would mean loss of rail access if there was ever a need to use rail service again. No rail service has been used at the current facility for more than 24 years and the Highway Department does not foresee a need for rail service in the future.
13. **Access.** A short, shared access off Highway 8 and a short easement across private property would need to be secured for access to the Pizza Haven site from Highway 8.
14. **TIF District.** The development of the site by Kwik Trip may be dependent on a TIF district.
15. **Kemp Street Improvement.** Kemp Street is slated for rebuilding and development of Kwik Trip is dependent on the rebuilding.
16. **Employment opportunities.** Kwik Trip is an industry leader in employee wages and benefits and would provide for several part and full time jobs. Please see enclosed fact sheet.

Approximate cost to build a new facility

Staff has been researching cost and discussed some very conceptual plans with architects. There is a wide range of cost, all depending on the material to be used in constructing new and the extent of features wanted versus needed. Due to the wide disparity in costs ranging from \$6.5m to \$14m, the Committee may, after County Board discussions, direct staff to do more research to tighten the range. In considering this issue, the question must also be addressed, “what is the cost to not seize this opportunity” given the amount that will be offered plus the costs of improvements needed at the current facility. Listed below are proposed building size and other items that would need to be considered if a new facility would be pursued.

ESTIMATED ITEMS ASSOCIATED WITH A POSSIBLE HIGHWAY SHOP RELOCATION	
Description	Remarks
Area 1 Main Shop	150'x150'x38' ((22,500 sq ft). Includes 6000 sq ft of Office/heated/Floor Drains/Locker Room Overhead Doors, parts storage
Area 2 Secondary Shop	150'x200'x16' (45,000 sq ft). Used for plow trucks etc - Heated, Floor drains, Overhead Doors
Area 3 Cold Storage	160'x160'x20' (25,600 sq ft). Used for summer trucks etc - Lighting/Power/Overhead Doors/Concrete-Bituminous floor
Fuel System	34'x55'x16' (1,870 sq ft). 2 - 15,000 Gallon Tanks, pumps, Covered Canopy/Slab on Grade
Salt Storage	100'x80'x20' (8,000 sq ft).4000 tons storage for County only.
Design/Fees	Architect fees, bidding costs, state-city plan review fees
Site Work - other	Clearing - excavation, fencing, security, soil borings, retention pond, signage, misc
Utilities	Sewer & Water approx 1/4 mile
Furnishings etc	Office furniture, moving, phone, computer etc
Closing costs	Commission, closing cost
Financing	Bond Insurance costs
Contingency	

Financing costs

ONEIDA COUNTY				
ESTIMATED BOND REPAYMENT COST				
PREPARED AUGUST 2014	Based on simple interest compounded annually			
Average rate of Bonds	2.20%			
10 YEAR REPAYMENT				
Amount of Bonds	5,000,000	7,500,000	10,000,000	
Repayment Term	10 years	10 years	10 years	
Total Interest Paid	625,000	937,500	1,250,000	
Annual Repayment Estimate	562,000	844,000	1,125,000	
Rate per \$1,000 Eq. Valuation	\$0.085	\$0.127	\$0.170	
Estimate for a \$100,000 property/yr	\$8.50	\$12.70	\$17.00	
15 YEAR REPAYMENT				
Amount of Bonds	5,000,000	7,500,000	10,000,000	
Repayment Term	15 years	15 years	15 years	
Total Interest Paid	925,000	1,387,500	1,850,000	
Annual Repayment Estimate	395,000	593,000	790,000	
Rate per \$1,000 Eq. Valuation	\$0.060	\$0.089	\$0.119	
Estimate for a \$100,000 property/yr	\$6.00	\$8.90	\$11.90	

While there may be many questions to be answered yet, this document gives a general overview of the matter and the Staff and the Committees feels this opportunity needs serious consideration. The time to respond to the offer is August 25th and Corporation Counsel will be advising the County Board with some of the legal concerns and obligations that come along with a real estate offer.



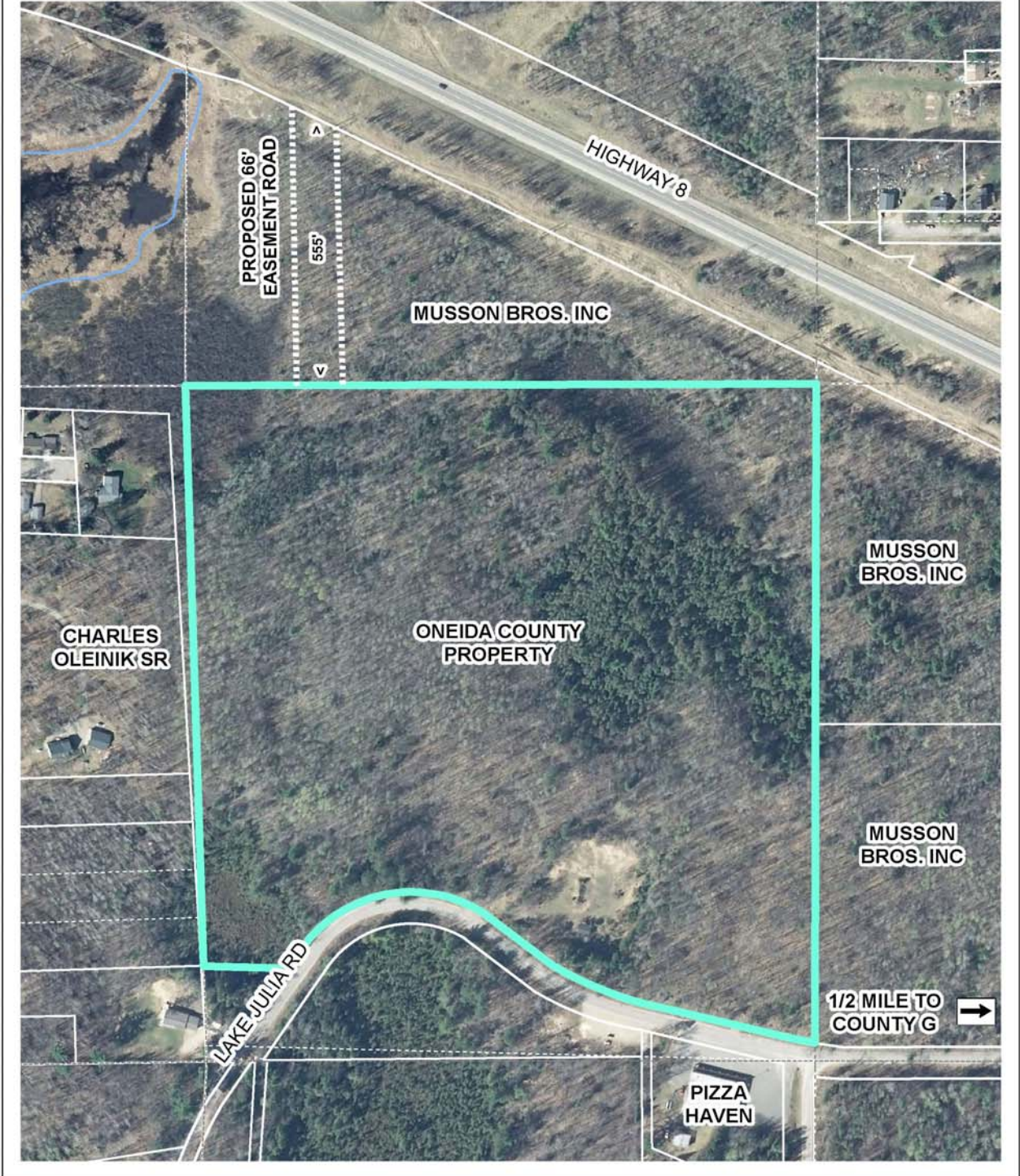
ONEIDA COUNTY HIGHWAY FACILITY CURRENT LOCATION



Approximate 14 acres site



PROPOSED ONEIDA COUNTY HIGHWAY FACILITY RELOCATION



Approximate 35 acres site